

# Click and Collect Goes MAINSTREAM

WHY INDUSTRY ESTIMATES ABOUT THE **IMPACT OF DIGITAL ADOPTION** ARE **CONSERVATIVE** AND ULTIMATELY **IRRELEVANT.** > By **Mike Troy**

**T**he pace of digital integration occurring in the supermarket industry is accelerating. No one would dispute that. Less clear is how fast and how far shoppers embrace digital engagement methods and fulfillment options.

Recent research from the Food Marketing Institute and Nielsen sought to quantify the magnitude of the digital shift that is occurring. The organizations contend that by 2025 online grocery shopping (defined as food, beverage and CPG) could reach \$100 billion, or roughly 20 percent of a market valued at \$500 billion. The research also suggests that online food shopping will reach maturation in the U.S. far faster than other industries that have come online before. The center store is likely to shift online faster than other depart-

ments, suggesting a fundamental evaluation of the role the store plays in digital food shopping.

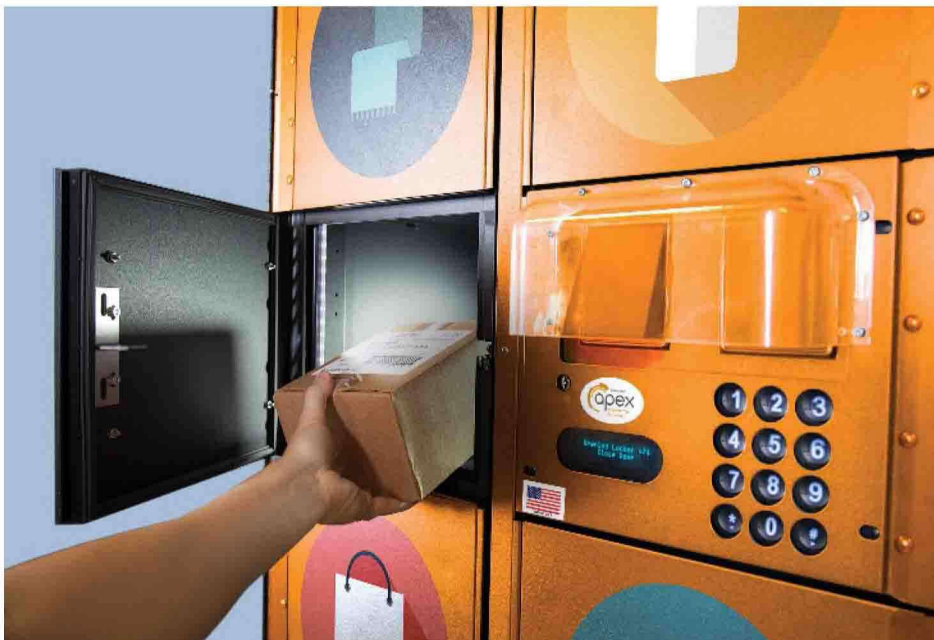
"This is a zero sum game and not everyone is going to make the transition smoothly or efficiently," said Mark Baum, SVP and Chief Collaboration Officer with the Food Marketing Institute.

It is a sobering thought, but also a retail reality that not all operators adjust to changing market dynamics evenly. This is evident among companies regarded as industry leaders who are different stages of development. Some are well into the rollout phase, others have done little to nothing and others are experimenting with various services, delivery and store pickup options. For example, H-E-B launched its click and collect service branded as Curbside in 2015 and also offers home delivery via Instacart and Shipt. Curbside is now available in 20 of H-E-B's nearly 400 locations as the pace of the rollout has been slow. Supercenter

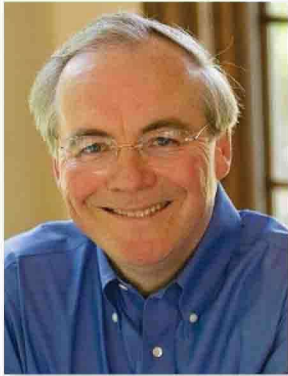
operator Meijer has expanded its click and collect grocery service at faster pace and it is now available in 30 of its 230 stores following a 2015 launch.

Walmart has steadily ramped up its online grocery business branded simply as Pickup and it is now available at 600 stores in about 100 markets with company executive frequently touting its popularity with shoppers. Meanwhile, the Jet.com business Walmart acquired last year for \$3.3 billion also ships to food to homes from a centralized distribution center that serves 15 million customers, according to the latest update provided by CEO Marc Lore, who also noted that the company is focused on winning in fresh and consumables over the next couple years.

Becoming more aggressive



▲ Lockers are now available in all shapes and sizes to accommodate different operating environments.



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*Kroger Chairman and CEO*

more by challenges related to finding stores with adequate space, securing zoning changes or other types of approvals, according to McMullen.

“We are also experimenting with ways to solve the last mile equation. We’re testing with Uber delivery in several locations with plans to expand in 2017 where our customers can order through ClickList and choose to have their groceries delivered by a local Uber driver,” McMullen said. “We have a couple of other home delivery tests as well.”

on the digital front is Kroger. The company added online grocery capabilities, branded as ClickList at Kroger stores and Express Lane at Kroger’s Harris Teeter stores, to 420 locations during 2016. It now operates more than 640 stores where customers can order online and pick up at store.

“As our customers change and evolve, we are taking steps to meet them where they are and more importantly where they are going. We’re making meaningful investments in digital. We feel great about these investments because customers tell us they are important to them,” Kroger Chairman and CEO Rodney McMullen said during a March 2 conference call following the release of fourth quarter results that saw same store sales decline for the first time in a decade. The rapid pace of expansion follows Kroger’s 2014 acquisition of Harris Teeter, where Fast Lane was already in place and served as a model for Kroger’s development of ClickList. The company won’t add as many click and collect locations in 2017 as it did last year, but that’s not because there is a lack of customer demand. The reduced rate of expansion is driven

## A LEVEL PLAYING FIELD

While industry leaders are able to develop digital capabilities in house to offer click and collect or home delivery services, smaller retailers are benefiting from a phenomenon known as the democratization of technology. For example, it is possible for an independent retailer to offer capabilities that rival those of Walmart and Kroger thanks to services of a firm like Freshop. The online grocery platform founded by CEO Brian Moyer about two years ago offers customized e-commerce technology that enables independent grocers to compete with large national chains. The Freshop technology is gaining rapid adoption and will be in 1,500 stores this year for several reasons.

“All we do is online grocery and for a retailer to break even on their investment they only need one order a day,” Moyer said. “We also work with retailers to develop the optimal walk path to fulfill orders.”

Once orders are picked, other companies are focused on solutions to optimize deliveries. For example, a company called Dispatch Track plans to enter the food retailing world this summer with a solution first developed for the furniture and appliance markets. Dispatch Track is the market leader in that space and helps retailers with scheduling deliveries, optimizing routes, making adjustments in real time and managing customer expectations. Those same factors are hugely important when it comes to home delivery of groceries.

## SHOPPERS LOVE LOCKERS

Whether home delivery or click and collect, fulfillment methods are proliferating and do not always involve a store associate loading purchases into the back of an SUV. A new level of flexibility is available to retailers thanks to advancements in locker systems that can handle large or small orders and be located indoors or outside.

“Retailers need flexible, modular solutions that can change as quickly as customer expectations,” said Kent Sav-



WFM & Duddle vans: Home delivery and click and collect continue to gain traction.

age, Apex Supply Chain Technologies founder and CEO. “Our range of automated click and collect lockers are informed by our experience deploying more than 100,000 devices.”

Consumers love the convenience of ordering online and picking up their purchase at the store, according to Savage. It saves shipping costs, they get what they want right away and no one needs to be home to receive the parcels. Consumers also hate waiting in line to pick up their purchase. He contends automated, self-serve click and collect lockers solve the problem, as long as they are flexible enough to accommodate a range of merchandise in a variety of locations. For example, Apex offers a locker product that is rugged, water-resistant and designed for outdoor placement that can be placed curbside at a store or remotely and customize with a retailer’s graphics.

Lockers present some challenges where fresh food products are involved, but the approach is clearly gaining traction and attracting European solution providers. E-commerce enjoys a higher penetration rate in Europe, especially in the United Kingdom, where retailers have been at the click and collect game longer than their U.S. counterparts.

“Retailers who offer click and collect have to make it quick and in the U.K. retailers had to accept that they can’t force customer to go where they want them to go,” said Doddle CEO Tim Robinson.

The Doddle operates a growing network of 70 click and collect locations throughout the U.K. in high traffic areas such as mass transit hubs. The locations are integrated with retailers and big carriers to serve as merchandise pickup and return locations and have handled roughly 2 million transactions since the company launched in 2015. Doddle is not looking to open its distinctive purple stores in the U.S., but it is offer-

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ing a service called Powered by Doddle that includes software, training, communications and analytics modules U.S. retailers would use to enhance their click and collect experience.

That word “experience,” is used a lot in retail and most often it describes the in-store experience. The logic being that if the in-store experience is awesome enough, shoppers will be less likely to use digital shopping methods. The more likely scenario over time is that shoppers will expect the store and digital experience to be equally awesome and indiscernible. This is especially true for the shopper of tomorrow, the Gen Z population cohort of those under age 22 projected to total 2.6 billion in 2020.

“Generation Z expects technology to be intuitive, relevant and engaging — their last great experience is their new expectation,” according to Steve Laughline, IBM General Manager of Global Consumer Industries. IBM and National Retail Federation released a study earlier this year that explored Gen Z physical and digital preferences. “This (expectation) presents a significant challenge for retailers and brands to create a personalized, interactive experience with the latest digital advances or risk falling behind. This kind of innovation is not linear or a one-time project — it is a new way of thinking, operating and behaving.”

So future generations, as well as today’s Millennials, accustomed to getting an answer to almost question by asking Google, Siri or Alexa, may wonder why their local supermarket doesn’t offer voice recognition capabilities for list-making that could also suggest items in a sort of digital cross-merchandising fashion. Or why they can’t simply click on a recipe on their smartphone and have all the ingredients for a meal delivered in time to prepare dinner.

Food retailers have lagged other sectors of the industry when it comes to digital initiatives, a fact evident by conventional grocers’ unwillingness to disrupt themselves by offering meal kit services, which have gained popularity. However, companies are making up for lost ground, innovation is all around and the trajectory is clearly accelerating.

For all of those reasons, accurately forecasting digital sales, as FMI and Nielsen attempted to do, is problematic. Researchers in the past have consistently underestimated the pace of change because it was impossible to know how digital innovations that were yet to be developed would influence behavior. Even now, there is digital innovation occurring on the fringe that could have a huge impact on behavior. The other challenge, and why the FMI/Nielsen \$100 billion forecast could prove conservative, relates to the seamless integration of physical and digital. It is a philosophy that retailers in all sectors have adopted because it is the expectation of shoppers. By 2025, the interplay between physical and digital will be so intertwined that attempting to assign a sales figures as if they are independent channels will be impossible as well as meaningless. **RL**



▲ Amazon lockers are showing up in unconventional locations, such as convenience stores, where they can help generate traffic.